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**TOWN OF DUCK HILL, MISSISSIPPI**

Financial Statement,  
Supplemental Information and  
Internal Control and Compliance

For the Year Ended September 30, 2003  
with  
Independent Auditor's Reports



# *Town of Duck Hill*

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P.O. Box 368 • DUCK HILL, MISSISSIPPI 38925

Office (662) 565-7200 • Fax (662) 565-2721

June 30, 2004


Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

RE: Annual Municipal Audit

Department of Technical Assistance:

Accompanying this letter are two hard copies and one electronic copy of the annual audit of the Town of Duck Hill, Mississippi, for the fiscal year ended September 30, 2003. A separate management letter was not written to the town in conjunction with this audit.

Very truly yours,

  
Joey Couley  
Mayor

**TOWN OF DUCK HILL, MISSISSIPPI  
FINANCIAL STATEMENT, SUPPLEMENTAL INFORMATION AND  
INTERNAL CONTROL AND COMPLIANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

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## **FINANCIAL STATEMENT**



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Board of Alderpersons  
Town of Duck Hill, Mississippi

We have audited the accompanying combined statement of cash receipts and disbursements (all funds) for the Town of Duck Hill, Mississippi, for the year ended September 30, 2003, as listed in the table of contents. The financial statement and schedules are the responsibility of the Town of Duck Hill's management. Our responsibility is to express an opinion on the financial statement and schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the combined statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements for the year ended September 30, 2003, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2004, on our consideration of the Town of Duck Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statement of the Town of Duck Hill, Mississippi, taken as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statement of the Town of Duck Hill, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*May & Company*

Vicksburg, Mississippi  
April 7, 2004

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**TOWN OF DUCK HILL, MISSISSIPPI  
COMBINED STATEMENT OF CASH RECEIPTS  
AND DISBURSEMENTS (ALL FUNDS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Governmental Funds				Total (Memorandum Only)
	General	Debt Service	Special Revenue	Proprietary Funds	2003
<b>Revenue receipts:</b>					
General property taxes	\$ 101,731	\$ -	\$ -	\$ -	\$ 101,731
Permits	3,536				3,536
Licenses	540				540
State shared revenues:					
Municipal aid	389				389
Sales tax	28,824				28,824
Gasoline tax	1,931				1,931
Fire protection			8,149		8,149
State grant - relocation of gas line				231,683	231,683
Federal grants			430,000		430,000
Other:					
Franchise tax	8,409				8,409
Fire calls			7,304		7,304
Nuclear plant	4,858				4,858
Fines and bonds	14,648				14,648
Interest income	10			136	146
Charges for services:					
Gas				388,275	388,275
Water				91,341	91,341
Sanitation				102,498	102,498
Total revenue receipts	164,876	-	445,453	813,933	1,424,262
<b>Other receipts:</b>					
Miscellaneous	739		2,000	5,397	8,136
Loans and transfers	-	10,000		37,640	47,640
Total other receipts	739	10,000	2,000	43,037	55,776
<b>Total receipts</b>	<b>165,615</b>	<b>10,000</b>	<b>447,453</b>	<b>856,970</b>	<b>1,480,038</b>
<b>Cash balance - beginning of year</b>	<b>7,676</b>	<b>-</b>	<b>593</b>	<b>133,958</b>	<b>142,227</b>
<b>TOTAL AMOUNT TO ACCOUNT FOR</b>	<b>\$ 173,291</b>	<b>\$ 10,000</b>	<b>\$ 448,046</b>	<b>\$ 990,928</b>	<b>\$ 1,622,265</b>

Continued



**TOWN OF DUCK HILL, MISSISSIPPI  
COMBINED STATEMENT OF CASH RECEIPTS  
AND DISBURSEMENTS (ALL FUNDS) - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	Governmental Funds				Total
	General	Debt Service	Special Revenue	Proprietary Funds	( Memorandum Only) 2003
<b>Operating disbursements:</b>					
General government (executive and financial)	\$ 116,585	\$ -	\$ -	\$ -	\$ 116,585
Public safety:					
Fire			7,783		7,783
Highways and streets:					
Repairs and maintenance	1,806				1,806
Libraries	12,435				12,435
Enterprise:					
Water				114,625	114,625
Gas				406,284	406,284
Sanitation				107,416	107,416
Interest on loans and bonds		942		19,978	20,920
Total operating disbursements	130,826	942	7,783	648,303	787,854
<b>Other disbursements:</b>					
Loans repaid		9,058		49,679	58,737
Capital outlay			430,000	231,683	661,683
Loans and transfers	37,945		9,695		47,640
Total other disbursements	37,945	9,058	439,695	281,362	768,060
Total disbursements	168,771	10,000	447,478	929,665	1,555,914
Cash balance - end of year	4,520	-	568	61,263	66,351
<b>TOTAL AMOUNT ACCOUNTED FOR</b>	<b>\$ 173,291</b>	<b>\$ 10,000</b>	<b>\$ 448,046</b>	<b>\$ 990,928</b>	<b>\$ 1,622,265</b>

The accompanying notes are an integral part of this financial statement.

**TOWN OF DUCK HILL, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General Information

The town operates under the Mayor-Alderman form of government and provides services as authorized by law.

Reporting Entity

The financial statement of the Town consists of all the funds of the Town.

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. Funds are classified into categories as follows:

Governmental Funds

*General Fund*

The General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes.

*Debt Service Funds*

Debt Service Funds are used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the Town.

Continued

**TOWN OF DUCK HILL, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENT – CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting - continued

Proprietary Funds

Proprietary Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

The financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Memorandum Total

The total column is captioned “memorandum only” to indicate that it is presented only to facilitate analysis. Data in this column does not present the financial position of the Town in conformity with the cash basis of accounting. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2. REPORT CLASSIFICATIONS**

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

**NOTE 3. COMMITMENT AND CONTINGENCIES**

On January 26, 2003, the Town entered into a lease agreement with Montgomery County Board of Education for rental of land that is to be utilized for the sole purpose of a park for the Town. The lease period is through December 31, 2028. During the period of the lease the Town will waive all sewer charges assessed to the Montgomery County School District.

Continued

**TOWN OF DUCK HILL, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENT – CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**NOTE 3. COMMITMENT AND CONTINGENCIES - CONTINUED**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

Grant monies received and disbursed by the Town are for specific purposes and are subject to audit and review by grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the Town does not believe that such disallowances, if any, would have a material effect on the financial position of the Town.

**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

At September 30, 2003, the carrying amount (recorded on the Town's books) of the Town's cash deposits was \$ 66,351, and the bank balance was \$64,757.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Town's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**NOTE 5. PROPERTY TAXES**

Property taxes are levied in September on the assessed (appraised) value of all real and business personal property located in the town and are payable by the following February 1. An enforceable lien on property is attached as of January 1.

For the current year, the Town levied taxes in the amount of 45.76 mills.

Continued

**TOWN OF DUCK HILL, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENT – CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**NOTE 6. DEFINED BENEFIT PENSION PLAN AND OTHER EMPLOYEE BENEFITS**

Plan Description: The Town of Duck Hill contributes to the Public Employees' retirement system of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary and the Town of Duck Hill is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Town of Duck Hill's contributions to PERS for the year ending September 30, 2003 was \$15,285, equal to the required contributions for each year.

## **SUPPLEMENTAL INFORMATION**

**TOWN OF DUCK HILL, MISSISSIPPI  
SCHEDULE OF LONG-TERM DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**DEFINITION AND PURPOSE**

	<u>September 30, 2002</u>	<u>Issued</u>	<u>Redeemed</u>	<u>September 30, 2003</u>
General obligation bonds:				
None				
Revenue bonds:				
1968 water, sewer and gas	\$ 40,000	\$ -	\$ 20,000	\$ 20,000
Other long-term debt:				
1984 note payable - State of Mississippi	8,893	-	5,617	3,276
2001 note payable – State of Mississippi	54,267		13,567	40,700
1984 note payable - Farmers Home Administration	178,656	-	7,377	171,279
1996 note payable – Farmers Home Administration	187,068	-	3,118	183,950
1999 note payable – Union Planters/Duck Hill Bank	18,476	-	9,058	9,418
	<u>18,476</u>	<u>-</u>	<u>9,058</u>	<u>9,418</u>
Total	<u>\$ 487,360</u>	<u>\$ -</u>	<u>\$ 58,737</u>	<u>\$ 428,623</u>

**TOWN OF DUCK HILL, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

<u>Official</u>	<u>Name of Insurance Company</u>	<u>Amount</u>
<u>Town Clerk</u> LaSonja Sizemore	Western Surety Company	\$ 50,000
<u>Police Chief</u> Charles Rose	Western Surety Company	\$ 50,000
<u>Gas Commissioner</u> Joey Cooley	Western Surety Company	\$ 10,000
<u>Mayor</u> Joey Cooley	Western Surety Company	\$ 75,000
<u>Public Employees</u> Blanket Bond	Western Surety Company	\$ 50,000



**TOWN OF DUCK HILL, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

<b>Federal Grantor / Pass-through Grantor</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying</b>	<b>Federal Expenditures</b>
U.S. Department of Housing and Urban Development:			
Pass-through programs from:			
Mississippi Development Authority:			
Home Investment Partnership Program	14.239	1262-200 Home CHDO	\$ 410,000
Home Solar Energy Panels	14.239	HOME 2002	<u>20,000</u>
Total expenditures of federal awards			<u>\$ 430,000</u>

See accompanying note to schedule of expenditures of federal awards.

**TOWN OF DUCK HILL, MISSISSIPPI  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**NOTE A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Duck Hill and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**TOWN OF DUCK HILL, MISSISSIPPI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

## **INTERNAL CONTROL AND COMPLIANCE**



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderpersons  
Town of Duck Hill, Mississippi

We have audited the combined statement of cash receipts and disbursements (all funds) of the Town of Duck Hill, Mississippi, for the year ended September 30, 2003, and have issued our report dated April 7, 2004. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit programs prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of those procedures and our audit of the combined statement of cash receipts and disbursements disclosed the following material instance of noncompliance with State laws and regulations. Our findings and recommendations and your responses are as follows:

**Finding** – Several instances were noted where actual expenditures exceeded final budget amounts.

**Recommendation** – The Town Clerk and Board should regularly review the monthly financial reports for potential budget violations and amend the budget before any violations occur.

**Response** – The Town Clerk and Board will not expend funds if a budget violation will result. Budget amendments will be proposed and approved in accordance with State law and regulations.

**Finding** – Minutes did not include the ad valorem tax levied, although it did not change from the prior year, nor did the minutes include the Municipal Compliance Questionnaire when it was approved.

**Recommendation** – All official actions of the Board should be documented in the minutes.

**Response** – Future minutes will include all official actions of the Board, including inclusion of the tax rate levied and the annual Municipal Compliance Questionnaire.

Continued

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Honorable Mayor and Board of Alderpersons  
Town of Duck Hill, Mississippi

Page Two

**Finding** – The Police Chief was not bonded from the time he was hired until March 2004 and, therefore, the Town was exposed to liability if a claim were to arise.

**Recommendation** – The Town Clerk and Board should regularly review the insurance coverage, especially when personnel changes are effective.

**Response** – The Board has reviewed their insurance coverage and will regularly monitor the policies, especially when personnel change.

**Finding** – A physical inventory of Town assets has not been prepared.

**Recommendation** – In anticipation of GASB 34 compliance and to better manage the Town's assets, the Board should delegate to a team of Town employees the job of completing a physical inventory and preparing a physical inventory report that can be updated as assets are purchased, constructed, sold or disposed.

**Response** – The Town will begin the process of performing a physical inventory of all assets. Sufficient data will be obtained on each asset to efficiently track assets throughout their life.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended solely for the information of the Town's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.



Vicksburg, Mississippi  
April 7, 2004



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Alderpersons  
Town of Duck Hill, Mississippi

We have audited the combined statement of cash receipts and disbursements (all funds) of the Town of Duck Hill, Mississippi for the year ended September 30, 2003, and have issued our report thereon dated April 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Duck Hill's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 03-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Duck Hill's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Duck Hill's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-2 to 03-4.

Continued

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Honorable Mayor and Board of Alderpersons  
Town of Duck Hill, Mississippi

Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are a material weakness.

This report is intended solely for the information and use of the management, Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Company*

Vicksburg, Mississippi  
April 7, 2004





**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Alderpersons  
Town of Duck Hill, Mississippi

Compliance

We have audited the compliance of the Town of Duck Hill, Mississippi, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The Town of Duck Hill's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Duck Hill's management. Our responsibility is to express an opinion on the Town of Duck Hill's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Duck Hill's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Duck Hill's compliance with those requirements.

In our opinion, the Town of Duck Hill complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Continued

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Honorable Mayor and Board of Alderpersons  
Town of Duck Hill, Mississippi

Page Two

Internal Control Over Compliance

The management of the Town of Duck Hill is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Duck Hill's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mary Company*

Vicksburg, Mississippi  
April 7, 2004

**TOWN OF DUCK HILL, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the combined statement of cash receipts and disbursements of the Town of Duck Hill.
2. Three reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. None of the conditions are reported as a material weakness.
3. One instance of noncompliance material to the financial statements of the Town of Duck Hill, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No reportable condition in internal control over major federal award programs was disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the Town of Duck Hill expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: U.S. Department of Housing and Urban Development Home Programs, CFDA 14.239.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Town of Duck Hill did not qualify as a low-risk auditee.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**COMPLIANCE**

03-1 Budget Variances

*Condition:* The Town did not amend its budget during the year and several budget violations were noted at year end.

*Criteria:* The budget should be amended in accordance with State laws and regulations if expenditures are anticipated to exceed the approved budget amount.

*Effect:* The Town did not comply with State laws and regulations.

*Recommendation:* The Town Clerk and Board should regularly review the financial reports and amend the budget in accordance with State laws and regulations if expenditures are anticipated to exceed the approved budgeted amount.

Continued

**TOWN OF DUCK HILL, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**FINDINGS—FINANCIAL STATEMENT AUDIT-CONTINUED**

**REPORTABLE CONDITIONS**

**03-2 General Ledger**

*Condition:* The federal grant activity was not recorded on the general ledger of the Town.  
*Criteria:* The general ledger should reflect all transactions of the Town, regardless of the source or use of funds.

*Effect:* The general ledger was incomplete.

*Recommendation:* The general ledger should reflect all transactions for the period.

**03-3 Documentation**

*Condition:* Support for a few minor disbursements selected for testing was not available.

*Criteria:* All transactions should be supported by properly approved documents.

*Effect:* Some transactions, although immaterial in relation to the financial statements, could not be adequately supported.

*Recommendation:* All disbursements should be supported by properly approved documentation.

**03-4 Segregation of Duties**

*Condition:* The current size of the Town's work force limits the ability to employ adequate segregation of duties.

*Criteria:* No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

*Effect:* The Town is exposed to potential risk of errors and abuse.

*Recommendation:* The Town should continue to employ the services of an external CPA to prepare the monthly financial statements and general ledger. Also, the Board should continue to keep abreast of daily activity and closely review and approve transactions (including claims dockets, disbursements, minutes, payroll reports and annual W-2 forms, bank statements and reconciliations and financial reports).

**FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None